

**Remarks of
Commissioner William L. Massey
Commission Meeting of
January 10, 2001
CAE- 14 – Docket No. RT01-67 – Grid Florida**

I called this case this morning to make two points. The first is to note the order's limited focus. It is my understanding that Grid Florida made a complete Order No. 2000 compliance filing but requested an expedited ruling only on certain independence and governance aspects of their proposal. Specifically, the applicants asked us to rule on three issues: the proposed process for selecting board members and a CEO, the qualification criteria for directors and officers, and the restrictions on financial holdings of directors and employees and other independence criteria applicable to directors and employees.

Today's order accepts the Grid Florida proposal on these three topics and thereby allows applicants to proceed with the important work of selecting a board and hiring employees. I am hopeful that our quick action today will help achieve a fully functioning RTO that is consistent with Order No. 2000 to be operating in Florida by our target date of the end of this year. But I must emphasize that this order does not address any other aspect of the Grid Florida proposal. There are many tough issues still to be addressed, such as transmission pricing and scope and configuration, and I look forward to addressing them in the very near future.

This leads me to the second point I want to make this morning. I am disappointed that the Commission is not making better progress in working through the RTO filings that arrived in October. While those filings are a mixed bag of serious and not so serious efforts, they all deserve our attention so that we can get RTOs operating in all regions of the country. The Commissioners and our staff have been somewhat preoccupied with the market problems in California, but we must redouble our efforts on RTOs.

I must note that there are two very important RTO matters that have been scheduled for the Commission's agenda twice and now have been struck from our agenda twice. One of those cases is Illinois Power Company's request to withdraw from the Midwest ISO. The other is the second compliance filing of the Alliance transco. A critical issue that is common to both of these cases is scope and configuration. In my view, it is absolutely imperative that there be one fully functioning RTO for the entire Midwest market region, and if any progress is to be made toward that goal, this Commission must address the scope issue quickly. That's why I've been prepared to have these two cases brought before the Commission and voted. And that's why I've been so disappointed that these cases now have been struck twice from our agenda.

While I'm on the subject, let me take this opportunity to provide my recommendation on how the Commission should proceed on these two cases. I've noted with great chagrin the steady stream of transmission owners announcing their intent to withdraw from the Midwest ISO. I am very concerned about the impact of these announcements on RTO formation in the Midwest. And I remain concerned about the current scope of the Alliance transco. The Commission has twice in previous orders expressed concern that the proposed Alliance scope and configuration would isolate the buyers and sellers that constitute the predominant west to east trading patterns and would act as a strategically located toll gate. Despite the Commission's twice stated concerns, Alliance continues to seek approval of the same scope, now for the third time.

I believe that it is time for the Commission to require the stakeholders in the Midwest to attempt to forge a single RTO for the region. Much has changed since the initial formation of the Midwest ISO and Alliance. Attitudes toward business models have evolved, and this Commission has set out some guidance on how hybrid organizations that contain both ISO and transco features can fit within the Order No. 2000 framework. The Midwest and Alliance participants have had discussions regarding how their respective organizations might move forward together. And I understand that those discussions found many areas of common ground, but have not yet been successful in forging a single RTO for this region.

I believe that it is time for those discussions to resume. The Commission should hold in abeyance any final decisions on withdrawals from the Midwest ISO, as in the Illinois Power case, and any final decisions on the scope issue in the Alliance case. Instead, we should issue an order as soon as possible that requires the Midwest ISO and Alliance to continue negotiations, under formal Commission auspices with a settlement judge, with the objective of forming a single RTO for the Midwest market region. This should be the Commission's objective.

And while those negotiations are under way, the Commission must turn to the other RTO compliance filings. I remain committed to this Commission's goal, as expressed in Order No. 2000, of having RTOs in operation in all regions of the country by December 15th of this year, which is now only 11 months away. We must make RTO filings a priority and work through them quickly and professionally.

Returning to the business at hand, today's Grid Florida order has my full support.